

HOUSE BILL REPORT

HB 3160

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to requiring disclosure of information regarding work done for the state of Washington.

Brief Description: Requiring disclosure of information regarding work done for the state.

Sponsors: Representatives Hudgins, Conway, Chase and Simpson.

Brief History:

Committee Activity:

Commerce & Labor: 1/30/06, 2/2/06 [DPS].

Brief Summary of Substitute Bill

- Requires disclosure of offshore outsourcing information in state personal services, purchased services, and civil service contracts.
- Creates exemptions for certain services contracts, including those where the Director of the Office of Financial Management determines that the only practicable location in which the services may be performed is clearly and justifiably outside the United States.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Hudgins, Kenney and McCoy.

Minority Report: Do not pass. Signed by 4 members: Representatives Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Crouse and Holmquist.

Staff: Chris Cordes (786-7103).

Background:

The State of Washington contracts with individuals and companies outside state government to provide certain goods and services to the state and its residents. For service contracts, the state's purchasing authority is generally organized into categories based on the type of service. These categories include the following:

- Personal services. This term refers to professional or technical expertise provided by a consultant to accomplish a specific study or project.
- Purchased services. These services are provided by a vendor to accomplish routine, continuing, and necessary functions.
- Information services. These services include data processing, telecommunications, office automation, and computerized information systems.
- Public works. This term refers to the construction, repair, or alteration of buildings and other real property.
- Highway design and construction. This term includes both architectural and engineering services, as well as construction services related to highways.
- Printing services. This term refers to the production of printed materials.

Summary of Substitute Bill:

Certain state contracts, or subcontracts awarded under such contracts, must include provisions requiring disclosure of offshore outsourcing information. "Offshore outsourcing information" means records of:

- the locations, by country, in which work is performed outside the United States;
- the nature of the work being performed outside the United States; and
- the percentage of the work being performed outside the United States.

This disclosure requirement applies to state personal services, purchased services, and civil service contracts. It does not apply if the Director of the Office of Financial Management (OFM) determines that the only practicable location in which the services may be performed is clearly and justifiably a location outside the United States, such as trade offices. Annual reports from the Director of OFM to the House Commerce and Labor Committee and the Senate Labor, Commerce, Research and Development Committee on such exempted contracts are required.

This disclosure requirement also does not apply to goods contracts, contracts at state institutions of higher education related to research conducted abroad by faculty and study abroad programs, or to contracts entered into before July 1, 2006.

Substitute Bill Compared to Original Bill:

The substitute bill deletes the original intent section and adds provisions: (1) requiring disclosure of offshore outsourcing information on certain state contracts or subcontracts awarded under such contracts; (2) exempting from disclosure contracts for goods, contracts entered into prior to July 1, 2006, contracts where the Director of OFM determines that the only practicable location for performing the services is a location outside the United States, such as trade offices, and contracts at state institutions of higher education related to research

conducted abroad by faculty and study abroad programs; and (3) requiring annual reports on contracts exempted by the Director of OFM.

Appropriation: None.

Fiscal Note: Requested for substitute bill on January 31, 2006.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The Joint Legislative Task Force on State Contracts found that there was no good, clear source of information on the global economic impact on the state of offshore outsourcing state contracts. The global economy is constantly evolving and changing, and policymakers should keep watching it and not get behind. There does not appear to be a central way to collect data to see where the state's tax dollars are being spent. Disclosure is needed to hold agencies accountable. Tax dollars should be directed to the local economy. The business climate has changed dramatically. Under current practices and price requirements set by the Department of General Administration, local companies cannot compete for state information technology contracts.

(Concerns) While the bill is narrow, there are still concerns about the disclosure of proprietary information.

Testimony Against: There is no need to impose new regulations on the state or businesses. The amount of state contracts outsourced offshore in the overall economy is minimal. But it saves taxpayer money. Concerns about the state's information technology contracts are being addressed. The state cannot get too protective or there will be retaliation by other states. It is not clear what will be done with the information that would be collected under the bill. We do not need a pretext for harassing legitimate business models that use overseas contracts. The cost of compliance is an issue for businesses. Getting the best for taxpayers should be the goal.

Persons Testifying: (In support) Representative Hudgins, prime sponsor; Kristen Farr, Society of Professional Engineers in Aerospace; Marcus Courtney, Washington Alliance of Technology Workers; and Nicholas Powers, Beluga Software, Inc.

(Concerns) Stan Bowman, American Institute of Architects.

(Opposed) Kris Tefft, Association of Washington Business; Lou McMurrin, Washington Software Alliance; and Nancy Atwood, American Electronics Association.

Persons Signed In To Testify But Not Testifying: None.